

American Academy of Pediatrics,
Arkansas Chapter

Arkansas Association of Nurse
Anesthetist

Arkansas Center for Health
Improvement

Arkansas Children's Hospital

Arkansas Chiropractic Association

Arkansas Dietetic Association

Arkansas Health Care Association

Arkansas Hospital Association

Arkansas Medical Society

Arkansas Nurses Association

Arkansas Optometric Association

Arkansas Osteopathic Medical
Association

Arkansas Pharmacists Association

Arkansas Physician Hospitals
Association

Arkansas Podiatric Medical
Association

Arkansas Psychological
Association

Arkansas Residential Assisted
Living Association

Arkansas State Dental Association

Community Health Center of
Arkansas, Inc.

Developmental Disabilities
Providers Association

HomeCare Association of
Arkansas

Hospice and Palliative Care
Association of Arkansas

Mental Health Council of Arkansas

UAMS

March 16, 2011

The Honorable Mike Beebe
Governor
Room 250, State Capitol
Little Rock, AR 72201

Dear Governor Beebe:

The members of the Arkansas Health Care Providers Forum wish to express our concerns and offer alternatives to the plan unveiled last week to revamp the state's Medicaid program. We believe that the proposal to move away from the current fee-for-service payment system to one which relies on formal partnerships of healthcare providers to oversee recipients' care and bundled payments made to the partnerships to cover services rendered during patients' "episodes of care" is disruptive to the healthcare delivery system. This plan does not have the broad support of providers throughout the state and, in fact, will produce only insignificant financial savings, if any, to address the expected Medicaid funding shortfall in SFYs 2013 and 2014.

The aggressive time frame of the proposal does not sufficiently address key elements which are critical for success: An infrastructure (i.e. MMIS and health information exchange capabilities) which must be in place and operationally effective by July 1, 2012 to successfully administer such a payment process; the cost to the state of developing and refining actuarially sound payment rates for an array of episodes of care; legal costs for providers involved with the creation of potentially hundreds of formal provider partnerships across the state and providers' costs related to monitoring the multiple partnerships simultaneously; the impact of disincentives for physicians to locate or to continue their practice in Arkansas in the future and the financial instability that will affect hospitals and other providers as Medicaid reimbursements sink and pull down Medicare and private insurance payments with them under an all-payer system.

The inclusion of Medicare and commercial insurance into your new price system allows the state to set all healthcare pricing and will not allow healthcare providers any opportunity to negotiate reimbursement rates.

This pricing system sets a reimbursement floor based upon funds available from the state and by including Medicare and commercial insurance in your model you reduce the total reimbursement to healthcare providers.

The plan states that there are no additional risks to providers, but in the new reimbursement system healthcare providers would receive less in total through bundled reimbursements while accepting the risks of noncompliant patients. For example, if a Medicaid patient does not access health care through the medical home and chooses to enter through the hospital emergency room there will be no reimbursement through no fault of the hospital.

For Information Contact:

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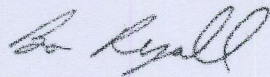
The ramification of changing the entire reimbursement system for all healthcare providers is not something to be taken lightly. We are the major employers in every community in our state. In a University of Arkansas study published in May of 2010, Medicaid spending results in more than 70,000 jobs, which equates to 6% of all jobs in Arkansas. Each dollar spent by state government on the Medicaid program in 2009 resulted in an estimated \$6.31 of total economic output impact for the state economy. So, changes in the Medicaid system has an economic impact but when you propose changing the entire reimbursement system this will have a negative impact on every community's economy in Arkansas.

As an alternative, we are suggesting a less disruptive and more defined approach. We urge you to adopt the ConnectCare proposal first circulated in October 2010 by Arkansas Foundation for Medical Care (AFMC). That proposal builds on Arkansas Medicaid's successful Primary Care Case Management Program, a program in operation today. It would expand the PCCP by allowing AFMC to drill down further into existing data to identify high cost Medicaid users and better manage the care which they receive. The ConnectCare proposal has broad support among healthcare providers who believe there are efficiencies and savings to be found in better managing the care of the 10 percent of the Medicaid population responsible for 70 percent of the program's costs. It also can be implemented in a much shorter time frame.

We understand that Medicare and private payer organizations are moving toward the use of Accountable Care Organizations, bundled payments and episodic care. To that end, we can support the idea of Medicaid exploring the use of provider partnerships, but in focused pilot projects in areas of Arkansas where providers might choose to participate rather than statewide in a single sweeping change. Those pilots can be employed as experimental proving grounds in which Medicaid can develop bundled payments around episodes of care in a deliberate manner.

Thank you for the opportunity to comment on the proposal. If we can provide any further information, please do not hesitate to contact us.

Sincerely,



Bo Ryall
Chairman

BR/ae

cc:

Sen. Percy Malone, Chair, Senate Public Health Committee
Rep. Linda S. Tyler, Chair, House Public Health Committee
John Selig, Arkansas Department of Health & Human Services
Gene Gessow, Director, Division of Medical Services